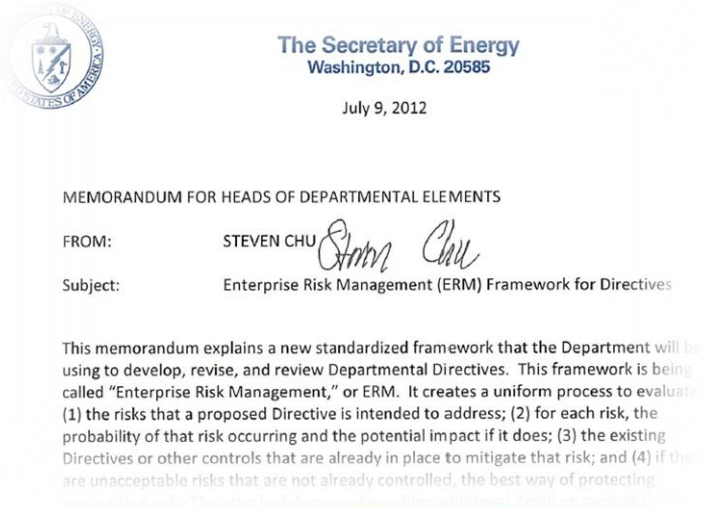
A few words about Enterprise Risk Management

- **Integrated Strategy -** ERM is important because it supports our strategy and our ability to make decisions that are risk-informed.
- **Consistency –** Provides a systematic approach for management and operations – how we make decisions, govern how we establish and implement requirements, and how we hold ourselves accountable .
- **Better Communication** - ERM will provide the framework for clearly articulating the processes we use for execution and governance.
- **Clear and Concrete Measures of Performance** - It will improve efficiency and allow us to communicate consistently with our sponsor and stakeholders.



The Secretary of Energy
Washington, D.C. 20585

July 9, 2012

MEMORANDUM FOR HEADS OF DEPARTMENTAL ELEMENTS

FROM: STEVEN CHU

Subject: Enterprise Risk Management (ERM) Framework for Directives

This memorandum explains a new standardized framework that the Department will be using to develop, revise, and review Departmental Directives. This framework is being called "Enterprise Risk Management," or ERM. It creates a uniform process to evaluate (1) the risks that a proposed Directive is intended to address; (2) for each risk, the probability of that risk occurring and the potential impact if it does; (3) the existing Directives or other controls that are already in place to mitigate that risk; and (4) if there are unacceptable risks that are not already controlled, the best way of protecting

ERM framework

1. **Risk Identification.** What can go wrong? How are: people, mission, physical assets, financial assets, and customer/stakeholder trust affected.
2. **Risk Analysis.** What is the likelihood and impact?
3. **Requirements Identification.** What is in place to prevent it?
4. **Controls Identification.** What else (if anything) is needed to control the risk?
5. **Risk Registry.** What documentation is needed so that the logic and conclusions are clear?